

~~SECRET~~  
Security Information

SE-37

Questions

- IV. A. 3. What economic strains would be placed on the Soviet Bloc if it attempted to provide Communist China with sufficient assistance to support a gradual expansion of the Chinese Communist economy? Could the USSR provide assistance on this scale without serious effects on its own planned economic development?

~~SECRET~~  
TOP SECRET

S-E-C-R-E-T

SE-37

FOREIGN TRADE

Discussion

IV. A. 3.

The economic strains imposed on the Soviet Bloc by an effective blockade of the coast of China would be largely the same as those imposed by an embargo, namely (a) increased exports to China of some manufactured products now imported from the West; (b) some exports of essential raw materials such as rubber for which non-Bloc countries are the major or sole suppliers and which the USSR has accumulated substantial stockpiles; (c) increased loans to cover the Chinese trade deficit with the Bloc. The chief requirement would be that of supplying additional rolling stock to the Chinese railroads. The rolling stock of appropriate gauge is available in Eastern Europe and the transfer could be made in about six months. The only strain involved here would be in the pressure to achieve the accommodation as quickly as possible in order to maintain the flow of essential equipment to China for the maintenance and planned increase of its industrial production and expansion of its transportation system. Thereafter, China would need some additional help in the form of equipment, supplies, and technical assistance to enable the railroads to expand and handle the increasing loads. It would also be necessary for the Soviet Union to operate greater rail traffic across the Trans-Siberian railway, but none of these requirements would impose a major strain on the Bloc economy. It is probable that no attempt would be made to furnish large scale substitutes to China for fertilizer, paper, and similar bulk items now received from overseas.

S-E-C-R-E-T